

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
CENTRAL CITY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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CENTRAL CITY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2008 Election)		
David Goodlove	President	2009
Eric Rauch	Vice President	2009
Sue Pillard	Board Member	2008
Crystal Murphy	Board Member	2008
Neal Matthias	Board Member	2009
<u>Board of Education</u>		
(After September 2008 Election)		
David Goodlove	President	2009
Eric Rauch	Vice President	(resigned Jan. 29, 2009)
Crystal Murphy	Board Member	(Vice President Mar. 16, 2009) 2011
Leanna Palmer	Board Member	2011
Neal Matthias	Board Member	2009
Shelly Kellogg	Board Member	(appointed Feb. 16, 2009) 2009
<u>School Officials</u>		
John Dotson	Superintendent	2009
Karla Hogan	District Secretary/Treasurer	2009
Brian Gruhn	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Central City Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Central City Community School District, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Central City Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2010 on our consideration of Central City Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Budgetary Comparison Information on pages 42 through 43 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented Management's Discussion and Analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
February 22, 2010

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Basic Financial Statements

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,571,399	\$ 38,419	\$ 1,609,818
Receivables:			
Property tax:			
Current year	25,552	-	25,552
Succeeding year	1,525,112	-	1,525,112
Accounts	8,326	17,021	25,347
Due from other governments	322,286	1,190	323,476
Interfund balances (note 4)	25,012	(25,012)	-
Inventories	-	4,877	4,877
Capital assets, net of accumulated depreciation (note 5)	6,229,055	828,855	7,057,910
Total assets	9,706,742	865,350	10,572,092
Liabilities			
Accounts payable	81,383	609	81,992
Salaries and benefits payable	452,685	43,994	496,679
Accrued interest payable	30,576	-	30,576
Deferred revenue:			
Succeeding year property tax	1,525,112	-	1,525,112
Other	18,494	1,930	20,424
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	20,000	-	20,000
Bonds payable	155,000	-	155,000
Capital lease purchase agreement	136,770	9,806	146,576
Portion due after one year:			
Bonds payable	4,020,000	-	4,020,000
Capital lease purchase agreement	205,156	744,510	949,666
Total liabilities	6,645,176	800,849	7,446,025

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2009

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 2,054,055	\$ 74,539	\$ 2,128,594
Restricted for:			
Categorical funding	87,163	-	87,163
Management levy	16,054	-	16,054
Physical plant and equipment levy	101,821	-	101,821
Other special revenue purposes	134,306	-	134,306
Unrestricted	668,167	(10,038)	658,129
Total net assets	\$ <u>3,061,566</u>	\$ <u>64,501</u>	\$ <u>3,126,067</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 3,101,784	\$ 497,280	\$ 511,519	\$ -
Support services:				
Student services	112,231	-	5,940	-
Instructional staff services	215,205	-	-	-
Administration services	577,270	-	1,500	-
Operation and maintenance of plant services	400,090	2,610	-	-
Transportation services	152,056	-	5,895	-
	1,456,852	2,610	13,335	-
Other expenditures:				
Facilities acquisition	54,224	-	-	12,865
Long-term debt interest and fiscal charges	188,668	-	-	-
AEA flowthrough	167,849	-	167,849	-
Depreciation (unallocated) *	89,227	-	-	-
	499,968	-	167,849	12,865
Total governmental activities	5,058,604	499,890	692,703	12,865
Business-Type Activities:				
Support services:				
Administration services	35,564	-	-	-
Operation and maintenance of plant services	17,241	-	-	-
	52,805	-	-	-

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,092,985)	\$ -	\$ (2,092,985)
(106,291)	-	(106,291)
(215,205)	-	(215,205)
(575,770)	-	(575,770)
(397,480)	-	(397,480)
(146,161)	-	(146,161)
(1,440,907)	-	(1,440,907)
(41,359)	-	(41,359)
(188,668)	-	(188,668)
-	-	-
(89,227)	-	(89,227)
(319,254)	-	(319,254)
(3,853,146)	-	(3,853,146)
-	(35,564)	(35,564)
-	(17,241)	(17,241)
-	(52,805)	(52,805)

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities (continued):				
Non-instructional programs:				
Food service operations	\$ 198,819	\$ 119,015	\$ 71,182	\$ -
Daycare operations	340,223	323,524	49,392	-
	<u>539,042</u>	<u>442,539</u>	<u>120,574</u>	<u>-</u>
Total business-type activities	<u>591,847</u>	<u>442,539</u>	<u>120,574</u>	<u>-</u>
Total	\$ <u>5,650,451</u>	\$ <u>942,429</u>	\$ <u>813,277</u>	\$ <u>12,865</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Statewide sales and services tax
 Unrestricted state grants
 Unrestricted investment earnings
 Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
 in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ (8,622)	\$ (8,622)
-	32,693	32,693
-	24,071	24,071
-	(28,734)	(28,734)
(3,853,146)	(28,734)	(3,881,880)
\$ 1,091,205	\$ -	\$ 1,091,205
220,009	-	220,009
94,610	-	94,610
414,091	-	414,091
2,251,801	-	2,251,801
67,075	162	67,237
73,461	-	73,461
4,212,252	162	4,212,414
359,106	(28,572)	330,534
2,702,460	93,073	2,795,533
\$ 3,061,566	\$ 64,501	\$ 3,126,067

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and pooled investments	\$ 1,126,749	\$ -	\$ 170,639	\$ 274,011	\$ 1,571,399
Receivables:					
Property tax:					
Current year	16,834	5,131	-	3,587	25,552
Succeeding year	1,103,005	238,225	-	183,882	1,525,112
Interfund receivable (note 4)	26,707	-	-	-	26,707
Accounts	3,147	-	5,179	-	8,326
Due from other governments	234,194	-	88,092	-	322,286
Total assets	<u>\$ 2,510,636</u>	<u>\$ 243,356</u>	<u>\$ 263,910</u>	<u>\$ 461,480</u>	<u>\$ 3,479,382</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 75,966	\$ -	\$ -	\$ 5,417	\$ 81,383
Salaries and benefits payable	452,685	-	-	-	452,685
Interfund payable (note 4)	-	1,695	-	-	1,695
Deferred revenue:					
Succeeding year property tax	1,103,005	238,225	-	183,882	1,525,112
Other	18,494	-	-	-	18,494
Total liabilities	<u>1,650,150</u>	<u>239,920</u>	<u>-</u>	<u>189,299</u>	<u>2,079,369</u>
Fund balances:					
Reserved for:					
Categorical funding	87,163	-	-	-	87,163
Debt service	-	3,436	-	-	3,436
Unreserved, reported in:					
General fund	773,323	-	-	-	773,323
Special revenue funds	-	-	-	272,181	272,181
Capital projects fund	-	-	263,910	-	263,910
Total fund balances	<u>860,486</u>	<u>3,436</u>	<u>263,910</u>	<u>272,181</u>	<u>1,400,013</u>
Total liabilities and fund balances	<u>\$ 2,510,636</u>	<u>\$ 243,356</u>	<u>\$ 263,910</u>	<u>\$ 461,480</u>	<u>\$ 3,479,382</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balances of governmental funds	\$ 1,400,013
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,229,055
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(30,576)
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Long-term liabilities, including early retirement, bonds payable and capital lease purchase agreements, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,536,926)</u>
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Net assets of governmental activities	<u><u>\$ 3,061,566</u></u>
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See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,014,882	\$ 220,009	\$ 414,091	\$ 170,933	\$ 1,819,915
Tuition	229,423	-	-	-	229,423
Other	185,241	908	49,887	187,333	423,369
State sources	2,762,031	-	-	-	2,762,031
Federal sources	182,472	-	-	-	182,472
Total revenues	4,374,049	220,917	463,978	358,266	5,417,210
Expenditures:					
Current:					
Instruction	2,923,253	-	-	161,474	3,084,727
Support services:					
Student services	112,231	-	-	-	112,231
Instructional staff services	215,205	-	-	-	215,205
Administration services	551,830	-	-	24,028	575,858
Operation and maintenance of plant services	353,368	-	-	46,722	400,090
Transportation services	135,420	-	-	750	136,170
	1,368,054	-	-	71,500	1,439,554
Other expenditures:					
Facilities acquisition	-	-	2,078,646	89,933	2,168,579
Long term debt:					
Principal	-	251,770	-	-	251,770
Interest and fiscal charges	-	224,881	-	-	224,881
AEA flowthrough	167,849	-	-	-	167,849
	167,849	476,651	2,078,646	89,933	2,813,079
Total expenditures	4,459,156	476,651	2,078,646	322,907	7,337,360
Excess (deficiency) of revenues over (under) expenditures	(85,107)	(255,734)	(1,614,668)	35,359	(1,920,150)

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):					
Sale of equipment	\$ 500	\$ -	\$ -	\$ -	500
Interfund transfers in (note 3)	-	258,770	-	-	258,770
Interfund transfers out (note 3)	-	-	(258,770)	-	(258,770)
Total other financing sources (uses)	500	258,770	(258,770)	-	500
Net change in fund balances	(84,607)	3,036	(1,873,438)	35,359	(1,919,650)
Fund balances beginning of year	945,093	400	2,137,348	236,822	3,319,663
Fund balances end of year	\$ <u>860,486</u>	\$ <u>3,436</u>	\$ <u>263,910</u>	\$ <u>272,181</u>	\$ <u>1,400,013</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ (1,919,650)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 2,114,355	
Depreciation expense	<u>(113,582)</u>	2,000,773

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 251,770

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 36,213

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>(10,000)</u>
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Change in net assets of governmental activities \$ 359,106

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	ABC Childcare	Nonmajor - School Nutrition	Total
Assets			
Cash and cash equivalents	\$ 5,882	\$ 16,023	\$ 21,905
Cash with fiscal agent	16,514	-	16,514
Accounts receivable	17,021	-	17,021
Due from other governments	1,190	-	1,190
Inventories	-	4,877	4,877
Capital assets, net of accumulated depreciation (note 5)	695,033	133,822	828,855
Total assets	<u>735,640</u>	<u>154,722</u>	<u>890,362</u>
Liabilities			
Accounts payable	609	-	609
Salaries and benefits payable	32,980	11,014	43,994
Interfund payable (note 4)	25,012	-	25,012
Deferred revenue	1,930	-	1,930
Long-term liabilities (note 6):			
Portion due within one year:			
Capital lease purchase agreement	9,806	-	9,806
Portion due after one year:			
Capital lease purchase agreement	744,510	-	744,510
Total liabilities	<u>814,847</u>	<u>11,014</u>	<u>825,861</u>
Net Assets			
Invested in capital assets, net of related debt	(59,283)	133,822	74,539
Unrestricted	(19,924)	9,886	(10,038)
Total net assets	<u>\$ (79,207)</u>	<u>\$ 143,708</u>	<u>\$ 64,501</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	ABC Childcare	Nonmajor - School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 323,524	\$ 119,015	\$ 442,539
Operating expenses:			
Support services:			
Administration services	35,564	-	35,564
Operation and maintenance of plant services	17,241	-	17,241
Non-instructional programs	340,223	198,819	539,042
	<u>393,028</u>	<u>198,819</u>	<u>591,847</u>
Operating loss	<u>(69,504)</u>	<u>(79,804)</u>	<u>(149,308)</u>
Non-operating revenues:			
Interest on investments	106	56	162
Contributions	3,161	-	3,161
State sources	-	2,318	2,318
Federal sources	46,231	68,864	115,095
Total non-operating revenues	<u>49,498</u>	<u>71,238</u>	<u>120,736</u>
Change in net assets	(20,006)	(8,566)	(28,572)
Net assets beginning of year	<u>(59,201)</u>	152,274	93,073
Net assets end of year	<u>\$ (79,207)</u>	<u>\$ 143,708</u>	<u>\$ 64,501</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	ABC Childcare	Nonmajor - School Nutrition	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	\$ 116,966	\$ 116,966
Cash received from miscellaneous operating activities	317,736	92	317,828
Cash payments to employees for services	(264,527)	(67,856)	(332,383)
Cash payments to suppliers for goods or services	(90,996)	(99,056)	(190,052)
Net cash used by operating activities	<u>(37,787)</u>	<u>(49,854)</u>	<u>(87,641)</u>
Cash flows from non-capital financing activities:			
Contributions received	3,161	-	3,161
State grants received	-	2,318	2,318
Federal grants received	45,817	57,717	103,534
Net cash provided by non-capital financing activities	<u>48,978</u>	<u>60,035</u>	<u>109,013</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(2,561)	(2,561)
Principal loan on capital lease	(9,393)	-	(9,393)
Net cash used by capital and related financing activities	<u>(9,393)</u>	<u>(2,561)</u>	<u>(11,954)</u>
Cash flows from investing activities:			
Interest on investments	<u>106</u>	<u>56</u>	<u>162</u>
Net increase in cash and cash equivalents	1,904	7,676	9,580
Cash and cash equivalents beginning of year	<u>20,492</u>	<u>8,347</u>	<u>28,839</u>
Cash and cash equivalents end of year	<u>\$ 22,396</u>	<u>\$ 16,023</u>	<u>\$ 38,419</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	ABC Childcare	Nonmajor - School Nutrition	Total
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (69,504)	\$ (79,804)	\$ (149,308)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	15,796	15,090	30,886
Loss on disposal of capital assets	-	2,117	2,117
Commodities used	-	11,147	11,147
(Increase) decrease in accounts receivable	(3,224)	385	(2,839)
Decrease in inventories	-	984	984
(Decrease) in accounts payable	(868)	-	(868)
Increase (decrease) in salaries and benefits payable	(2,435)	2,569	134
Increase in interfund payable	25,012	-	25,012
(Decrease) in deferred revenue	(2,564)	(2,342)	(4,906)
Net cash used by operating activities	\$ <u>(37,787)</u>	\$ <u>(49,854)</u>	\$ <u>(87,641)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$11,147 of federal commodities.

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2009

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>63,983</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>63,983</u></u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2009

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>1,968</u>
Deductions:	
None	<u>-</u>
Change in net assets	1,968
Net assets beginning of year	<u>62,015</u>
Net assets end of year	\$ <u><u>63,983</u></u>
See notes to financial statements.	

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

Central City Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Central City, Iowa, portions of the Cities of Prairieburg, Waubeek, and Paris, Iowa and agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central City Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Central City Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The Enterprise, ABC Childcare Fund is used to account for the daycare operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have not been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue for governmental funds and governmental activities consists of unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned childcare revenues.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2009.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2009 consists of \$339,344.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the support services and other expenditures functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 2. Cash and Pooled Investments (continued)

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>268</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>258,770</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Interfund Receivables and Payables

At June 30, 2009, the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Temporary loan:		
General	Debt Service	\$ <u>1,695</u>
Other receivables:		
General	Enterprise - ABC Childcare	<u>25,012</u>
Total		\$ <u>26,707</u>

Temporary loan interfund balances are temporary financing between funds which is necessary due to the timing of expected tax collections. These balances are not included on the District-wide Statement of Net Assets.

Other receivable interfund balances are due to timing differences involved in the reimbursement of payroll to the General Fund. The balance between governmental and proprietary funds has been eliminated on the face of the District-wide Statement of Net Assets.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 69,000	\$ 327,830	\$ -	\$ 396,830
Construction in progress	217,477	1,851,490	64,965	2,004,002
Total capital assets not being depreciated	<u>286,477</u>	<u>2,179,320</u>	<u>64,965</u>	<u>2,400,832</u>
Capital assets being depreciated:				
Buildings	4,946,004	-	-	4,946,004
Furniture and equipment	740,699	-	-	740,699
Total capital assets being depreciated	<u>5,686,703</u>	<u>-</u>	<u>-</u>	<u>5,686,703</u>
Less accumulated depreciation for:				
Buildings	1,105,650	89,629	-	1,195,279
Furniture and equipment	639,248	23,953	-	663,201
Total accumulated depreciation	<u>1,744,898</u>	<u>113,582</u>	<u>-</u>	<u>1,858,480</u>
Total capital assets being depreciated, net	<u>3,941,805</u>	<u>(113,582)</u>	<u>-</u>	<u>3,828,223</u>
Governmental activities capital assets, net	<u>\$ 4,228,282</u>	<u>\$ 2,065,738</u>	<u>\$ 64,965</u>	<u>\$ 6,229,055</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 789,809	\$ -	\$ -	\$ 789,809
Furniture and equipment	184,610	2,561	2,824	184,347
Total capital assets being depreciated	974,419	2,561	2,824	974,156
Less accumulated depreciation for:				
Buildings	78,980	15,796	-	94,776
Furniture and equipment	36,142	15,090	707	50,525
Total accumulated depreciation	115,122	30,886	707	145,301
Business-type activities capital assets, net	\$ 859,297	\$ (28,325)	\$ 2,117	\$ 828,855

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction	\$ 7,057
Support services:	
Administration	1,412
Transportation	15,886
	24,355
Unallocated depreciation	89,227
Total governmental activities depreciation expense	\$ 113,582
Business-type activities:	
Food service operations	\$ 15,090
Daycare operations	15,796
Total business-type activities depreciation expense	\$ 30,886

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Early Retirement	General Obligation Bonds	Capital Lease Purchase Agreement	Total
Balance beginning of year	\$ 10,000	\$ 4,290,000	\$ 478,696	\$ 4,778,696
Additions	20,000	-	-	20,000
Reductions	10,000	115,000	136,770	261,770
Balance end of year	<u>\$ 20,000</u>	<u>\$ 4,175,000</u>	<u>\$ 341,926</u>	<u>\$ 4,536,926</u>
Due within one year	<u>\$ 20,000</u>	<u>\$ 155,000</u>	<u>\$ 136,770</u>	<u>\$ 311,770</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five but not over age sixty-five and employees must have completed twenty full years of contracted service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$10,000. Early retirement benefits will be paid in either August or January following the start of retirement.

At June 30, 2009, the District has obligations to two participants with a total liability of \$20,000. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$10,000. The cost of early retirement payments is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated May 1, 2005			
	Interest Rates	Principal	Interest	Total
2010	4.500 %	\$ 120,000	\$ 112,756	\$ 232,756
2011	4.500	125,000	107,356	232,356
2012	4.500	130,000	101,732	231,732
2013	4.500	135,000	95,881	230,881
2014	3.750	140,000	89,806	229,806
2015	3.875	145,000	84,556	229,556
2016	3.950	150,000	78,938	228,938
2017	4.050	160,000	73,012	233,012
2018	4.150	165,000	66,532	231,532
2019	4.200	170,000	59,686	229,686
2020	4.250	180,000	52,546	232,546
2021	4.300	185,000	44,895	229,895
2022	4.400	195,000	36,940	231,940
2023	4.450	200,000	28,360	228,360
2024	4.500	210,000	19,460	229,460
2025	4.550	220,000	10,010	230,010
		<u>\$ 2,630,000</u>	<u>\$ 1,062,466</u>	<u>\$ 3,692,466</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Issue dated November 1, 2007			
	Interest Rates	Principal	Interest	Total
2010	4.750 %	\$ 35,000	\$ 70,700	\$ 105,700
2011	4.750	40,000	69,038	109,038
2012	4.750	40,000	67,138	107,138
2013	4.750	45,000	65,238	110,238
2014	4.750	45,000	63,100	108,100
2015	4.750	50,000	60,962	110,962
2016	4.750	55,000	58,588	113,588
2017	4.750	55,000	55,976	110,976
2018	4.750	55,000	53,362	108,362
2019	4.200	60,000	50,750	110,750
2020	4.250	60,000	48,230	108,230
2021	4.300	65,000	45,680	110,680
2022	4.350	70,000	42,886	112,886
2023	4.400	75,000	39,840	114,840
2024	4.450	75,000	36,540	111,540
2025	4.500	80,000	33,202	113,202
2026	4.600	315,000	29,602	344,602
2027	4.650	325,000	15,112	340,112
		\$ 1,545,000	\$ 905,944	\$ 2,450,944

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2010	\$ 155,000	\$ 183,456	\$ 338,456
2011	165,000	176,394	341,394
2012	170,000	168,870	338,870
2013	180,000	161,119	341,119
2014	185,000	152,906	337,906
2015	195,000	145,518	340,518
2016	205,000	137,526	342,526
2017	215,000	128,988	343,988
2018	220,000	119,894	339,894
2019	230,000	110,436	340,436
2020	240,000	100,776	340,776
2021	250,000	90,575	340,575
2022	265,000	79,826	344,826
2023	275,000	68,200	343,200
2024	285,000	56,000	341,000
2025	300,000	43,212	343,212
2026	315,000	29,602	344,602
2027	325,000	15,112	340,112
	<u>\$ 4,175,000</u>	<u>\$ 1,968,410</u>	<u>\$ 6,143,410</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement

During the year ended June 30, 2008, the District entered into an interest-free agreement for the lease purchase of computers and computer equipment. The agreement provides for eight semi-annual payments of \$68,385.

Details of the District's June 30, 2009 capital lease purchase agreement indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2010	\$ 136,770
2011	136,770
2012	<u>68,386</u>
	<u>\$ 341,926</u>

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2009 is as follows:

	<u>Capital Lease Purchase Agreement</u>
Balance beginning of year	\$ 763,709
Additions	-
Reductions	<u>9,393</u>
Balance end of year	<u>\$ 754,316</u>
Due within one year	<u>\$ 9,806</u>

During the year ended June 30, 2004, the District entered into an agreement with the City of Central City for the lease purchase of the daycare building.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

Details of the District's June 30, 2009 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 9,806	\$ 33,154	\$ 42,960
2011	10,237	32,723	42,960
2012	10,720	32,240	42,960
2013	11,291	31,669	42,960
2014	11,799	31,161	42,960
2015	12,329	30,631	42,960
2016	12,800	30,160	42,960
2017	13,459	29,501	42,960
2018	14,064	28,896	42,960
2019	14,697	28,263	42,960
2020	15,281	27,679	42,960
2021	16,045	26,915	42,960
2022	16,767	26,193	42,960
2023	17,521	25,439	42,960
2024	18,240	24,720	42,960
2025	19,129	23,831	42,960
2026	19,989	22,971	42,960
2027	20,889	22,071	42,960
2028	21,770	21,190	42,960
2029	22,807	20,153	42,960
2030	23,834	19,126	42,960
2031	24,906	18,054	42,960
2032	25,979	16,981	42,960
2033	27,195	15,765	42,960
2034	28,419	14,541	42,960
2035	29,697	13,263	42,960
2036	31,001	11,959	42,960
2037	32,428	10,532	42,960
2038	33,888	9,072	42,960
2039	35,412	7,548	42,960
2040	36,990	5,970	42,960
2041	38,670	4,290	42,960
2042	40,411	2,549	42,960
2043	35,846	741	36,587
	<u>\$ 754,316</u>	<u>\$ 699,951</u>	<u>\$ 1,454,267</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

The agreement is subject to the following provisions:

- 1) Any excess net revenues after payment of normal operating expenditures and capital lease payments are to be first applied to a use payment reserve account until \$42,960 has been accumulated in the account.
- 2) The source of payment is limited to revenue generated by the daycare facility and the agreement does not constitute a general obligation of the school district in any other matter.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$172,227, \$164,676, and \$147,899, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Central City Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$167,849 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District has entered into a contract totaling \$1,927,700 for a new gymnasium. As of June 30, 2009, costs of \$1,813,982 had been incurred against the contracts. The balance of \$113,718 remaining at June 30, 2009 will be paid as work on the project progresses.

Required Supplementary Information

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds
and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2009

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 2,472,707	\$ 445,862	\$ 2,918,569	\$ 2,892,072	\$ 26,497
Intermediate sources	-	-	-	3,000	(3,000)
State sources	2,762,031	2,318	2,764,349	2,828,502	(64,153)
Federal sources	182,472	115,095	297,567	273,000	24,567
Total revenues	5,417,210	563,275	5,980,485	5,996,574	(16,089)
EXPENDITURES/EXPENSES:					
Instruction	3,084,727	-	3,084,727	3,320,000	235,273
Support services	1,439,554	52,805	1,492,359	1,415,000	(77,359)
Non-instructional programs	-	539,042	539,042	670,000	130,958
Other expenditures	2,813,079	-	2,813,079	2,660,272	(152,807)
Total expenditures/expenses	7,337,360	591,847	7,929,207	8,065,272	136,065
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,920,150)	(28,572)	(1,948,722)	(2,068,698)	119,976
Other financing sources, net	500	-	500	-	500
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(1,919,650)	(28,572)	(1,948,222)	(2,068,698)	120,476
Balance beginning of year	3,319,663	93,073	3,412,736	3,292,042	120,694
Balance end of year	\$ 1,400,013	\$ 64,501	\$ 1,464,514	\$ 1,223,344	\$ 241,170

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures in the support services and other expenditures functions exceeded the amounts budgeted.

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Other Supplementary Information

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 34,791	\$ 134,998	\$ 104,222	\$ 274,011
Receivables:				
Property tax:				
Current year	1,263	-	2,324	3,587
Succeeding year	85,000	-	98,882	183,882
Total assets	<u>\$ 121,054</u>	<u>\$ 134,998</u>	<u>\$ 205,428</u>	<u>\$ 461,480</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 692	\$ 4,725	\$ 5,417
Deferred revenue:				
Succeeding year property tax	85,000	-	98,882	183,882
Total liabilities	<u>85,000</u>	<u>692</u>	<u>103,607</u>	<u>189,299</u>
Fund balances:				
Unreserved:				
Undesignated	<u>36,054</u>	<u>134,306</u>	<u>101,821</u>	<u>272,181</u>
Total liabilities and fund balances	<u>\$ 121,054</u>	<u>\$ 134,998</u>	<u>\$ 205,428</u>	<u>\$ 461,480</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2009

	Special Revenue			
	Management	Student	Physical	
	Levy	Activity	Plant and	
			Equipment	Total
			Levy	
Revenues:				
Local sources:				
Local tax	\$ 76,323	\$ -	\$ 94,610	\$ 170,933
Other	19,896	153,967	13,470	187,333
Total revenues	<u>96,219</u>	<u>153,967</u>	<u>108,080</u>	<u>358,266</u>
Expenditures:				
Current:				
Instruction	10,765	150,709	-	161,474
Support services:				
Administration services	24,028	-	-	24,028
Operation and maintenance of				
plant services	46,722	-	-	46,722
Transportation services	750	-	-	750
Other expenditures:				
Facilities acquisition	-	-	89,933	89,933
Total expenditures	<u>82,265</u>	<u>150,709</u>	<u>89,933</u>	<u>322,907</u>
Excess of revenues over expenditures	13,954	3,258	18,147	35,359
Fund balances beginning of year	<u>22,100</u>	<u>131,048</u>	<u>83,674</u>	<u>236,822</u>
Fund balances end of year	<u>\$ 36,054</u>	<u>\$ 134,306</u>	<u>\$ 101,821</u>	<u>\$ 272,181</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	\$ (422)	\$ -	\$ 809	\$ (1,231)
Vocal Music	-	935	935	-
Musical	-	2,866	2,866	-
Music Trip	(508)	2,505	2,000	(3)
Instrumental Music	-	2,661	2,661	-
Athletic Gate Receipts	389	12,436	14,363	(1,538)
Athletic Pop Sales	2,257	42	2,000	299
Pop Sales All	993	4,248	4,403	838
Golf	-	513	513	-
Boys Basketball	-	1,617	1,617	-
Boys Basketball Fundraising	1,164	2,519	2,672	1,011
Football	-	10,658	10,658	-
District Football	274	-	193	81
Football Fundraising	(790)	1,756	586	380
Baseball	-	4,340	4,340	-
Baseball Fundraising	1,326	9,505	8,734	2,097
Boys Track	-	4,366	4,366	-
Wrestling	-	1,155	1,155	-
Wrestling Fundraising	62	1,703	1,838	(73)
Girls Basketball	-	2,653	2,653	-
Girls Basketball Fundraising	(984)	2,561	1,045	532
Volleyball	-	1,648	1,648	-
Volleyball Fundraising	924	-	-	924
Softball	-	3,865	3,865	-
Softball Fundraising	636	958	977	617
Girls Track	-	1,207	1,207	-
Library Book Fair	222	6,432	6,010	644
Pictures	3,946	422	3,142	1,226
Playground	262	14,941	141	15,062
Ice Cream Machine	1,368	-	400	968
Middle School Publications	147	-	95	52
Class of 2000	735	-	-	735
Class of 2001	1,767	-	-	1,767
Class of 2002	711	-	10	701
Class of 2003	59	-	-	59
Class of 2004	1,341	-	-	1,341
Class of 2005	1,176	-	-	1,176
Class of 2006	1,467	536	2,003	-

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Class of 2007	\$ 2,279	\$ -	\$ -	\$ 2,279
Class of 2008	1,087	-	328	759
Class of 2009	2,971	-	911	2,060
Class of 2010	1,528	2,178	1,595	2,111
Class of 2011	4,014	125	-	4,139
Class of 2012	2,963	1,937	1,234	3,666
Class of 2013	3,125	2,861	2,605	3,381
Class of 2014	1,249	3,923	2,715	2,457
FFA	1,953	13,256	13,984	1,225
National Honor Society	2,661	710	808	2,563
Student Council	1,436	1,737	2,152	1,021
Art Club	1,891	2,163	2,414	1,640
Foods Club	18	35	-	53
MS Student Council	537	628	393	772
Elementary Pictures	6,523	1,674	671	7,526
School Cents	40,766	11,353	19,749	32,370
Student Projects	3,501	-	-	3,501
Greenhouse	3,711	-	100	3,611
Yearbook	(5,788)	2,691	2,045	(5,142)
Pep Bus	335	-	-	335
Interest	24,103	1,989	-	26,092
General Courtesy Account	4,712	1,328	1,253	4,787
Football Cheerleading	521	612	634	499
Basketball Cheerleading	733	405	693	445
Wrestling Cheerleading	717	577	1,389	(95)
Sassmeisters	4,605	7,253	8,961	2,897
Padlocks	34	-	-	34
CSB Student Projects	250	-	-	250
Larry Whiting Memorial	-	1,405	-	1,405
Variety Show	91	109	200	-
Intrafund Transfers	-	(4,030)	(4,030)	-
Total	\$ 131,048	\$ 153,967	\$ 150,709	\$ 134,306

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

		Modified Accrual Basis Years Ended June 30,									
		2009	2008	2007	2006	2005					
Revenues:											
Local sources:											
Local tax	\$	1,819,915	\$	1,796,806	\$	1,361,071	\$	1,336,164	\$	1,169,740	
Tuition		229,423		231,913		171,375		176,263		157,642	
Other		423,369		301,551		316,899		377,208		323,758	
State sources		2,762,031		2,802,687		2,551,932		2,444,228		2,301,520	
Federal sources		182,472		196,649		584,754		137,321		151,637	
Total revenues		\$	<u>5,417,210</u>	\$	<u>5,329,606</u>	\$	<u>4,986,031</u>	\$	<u>4,471,184</u>	\$	<u>4,104,297</u>
Expenditures:											
Instruction	\$	3,084,727	\$	2,892,389	\$	2,690,255	\$	2,535,433	\$	2,391,619	
Support services:											
Student services		112,231		108,379		101,494		84,274		111,030	
Instructional staff services		215,205		716,225		168,569		133,947		127,729	
Administration services		575,858		557,999		507,777		485,724		527,429	
Operation and maintenance of plant services		400,090		369,323		393,700		349,764		281,444	
Transportation services		136,170		160,948		139,881		129,801		207,612	
Non-instructional programs		-		-		142		2,837		-	
Other expenditures:											
Facilities acquisition		2,168,579		454,210		1,852,386		1,365,909		187,343	
Long-term debt:											
Principal		251,770		178,385		105,000		100,000		50,419	
Interest and fiscal charges		224,881		123,392		127,811		132,512		3,605	
AEA flowthrough		167,849		164,956		159,667		149,095		143,928	
Total expenditures		\$	<u>7,337,360</u>	\$	<u>5,726,206</u>	\$	<u>6,246,682</u>	\$	<u>5,469,296</u>	\$	<u>4,032,158</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Central City Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central City Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central City Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central City Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central City Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Central City Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Central City Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Central City Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-B-09 and I-C-09 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central City Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Central City Community School District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Central City Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Central City Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central City Community School District and other parties to whom Central City Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Central City Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 22, 2010

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

I-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash deposits, bank reconciliations, signing and distributing of checks, and the posting to the cash journals were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We have assessed this finding and concluded that any further changes would not be cost effective.

Conclusion – Response accepted.

I-B-09 Financial Reporting – During the audit, we identified material amounts of receivables and expenditures not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables are identified and included in the District's financial statements and all electronic payment expenditures are properly recorded.

Response – We will double check these in the future to avoid missing any receivables or electronic payment expenditures.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

Part I: Findings Related to the Basic Financial Statements (continued):

Significant Deficiencies (continued):

- I-C-09 Bank Reconciliations – We noted that bank reconciliations are prepared for each bank account but are not always reconciled to the general ledger and outstanding items are not being investigated timely. We noted an unrecorded electronic payment and an outstanding electronic payment that was outstanding for several months but was not ever withdrawn and should have been voided. In addition, we noted differences between the amounts of non-sufficient funds checks on the bank reconciliations and the detailed listing for the various funds. We also noted differences in the interfund receivable and payable balances between the bank reconciliations for the two affected funds. Adjusting journal entries have been made to the general ledger to record and correct these items.

Recommendation – All bank accounts should be reconciled and tied to the general ledger each month. Any outstanding items should be investigated and corrected as soon as possible. Non-sufficient funds checks held in each fund should be reconciled to the detailed listing monthly.

Response – Bank reconciliations for all accounts will be tied to the general ledger in the future. Any outstanding items will be investigated and corrected timely and non-sufficient funds checks will be reconciled to the detailed listing.

Conclusion – Response accepted.

- I-D-09 Fundraisers – We noted that fundraisers of student organizations are not approved by the administration. Also, the control procedures over fundraising activities are very lax.

Recommendation – The District should ensure that all fundraisers are reviewed and approved by the appropriate member of the administration before the event occurs. Also, a listing of the ongoing fundraising activities should be provided to the appropriate accounting personnel. An accounting of the estimated and actual profit of each activity should be prepared by the student organization and submitted with the money collected to the appropriate office personnel. The office personnel should be responsible for keeping track of the ongoing fundraisers and ensuring that the collected funds are remitted to the office and deposited on a timely basis.

Response – We will be implementing new fundraiser procedures for the year ending June 30, 2010.

Conclusion – Response accepted.

- I-E-09 Disbursements – Out of forty disbursements tested, three were not fully supported by an invoice or receipt prior to the check being released for payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the check being released for payment.

Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

- II-A-09 Certified Budget – Expenditures for the year ended June 30, 2009, exceeded the amounts budgeted in the support services and other expenditures functions.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- II-B-09 Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid To</u>	<u>Fund Used</u>	<u>Purpose</u>	<u>Amount</u>
Iowa Department of Revenue	General	Penalty and interest	\$ <u>546</u>

Recommendation – The District should make sure the state withholdings are paid each month to avoid any additional fees for late payments. This payment was outstanding on the bank reconciliation for several months and should have been investigated immediately as to why it was not withdrawn from the District's bank account.

Response – We will make sure that the state withholdings are withdrawn from the District's bank account each month in the future. We will also investigate and correct any items that are outstanding on the bank reconciliations.

Conclusion – Response accepted.

- II-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-09 Business Transactions – No business transactions between the District and District officials or employees were noted.

- II-E-09 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- II-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- II-H-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (continued):

- II-I-09 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ -
Statewide sales and services tax revenue	414,091
Expenditures/transfers out:	
School infrastructure:	
Buildings	<u>150,181</u>
Ending balance	\$ <u><u>263,910</u></u>

- II-L-09 Financial Condition – The District had deficit net assets of \$79,207 in the Enterprise, ABC Childcare Fund at June 30, 2009. In addition, the Special Revenue, Student Activity Fund had some deficit balances within the group of single activity accounts.

Recommendation – The District needs to explore alternatives to restore the ABC Childcare Fund to a sound financial condition. The ABC Childcare Fund also needs to try to collect on its insufficient funds checks and negative student accounts. Each Student Activity account should be self-supporting to the extent possible. An organization should not continually be allowed to expend more money than it generates. The District needs to monitor the activity accounts more closely and investigate alternatives to eliminate these deficits.

Response – We are continuing to work on this.

Conclusion – Response accepted.

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